

# HOUSE BILL No. 1597

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-1.1-20.6.

**Synopsis:** Exemption of debt service from circuit breaker. Exempts debt and lease obligations entered into before January 1, 2008, from the application of the 2% assessed value property tax circuit breaker credit. Permits the department of local government finance to exempt debt and lease obligations entered into after December 31, 2007, from the application of the 2% assessed value property tax circuit breaker credit if the department determines that other revenue cannot be made available to repay debt and lease obligations without a material risk of substantial harm to the public safety or welfare of the persons served by the affected taxing units. Indicates that the credit does not relieve a political subdivision from fully funding the payment of debt service or lease rentals. Repeals obsolete provisions related to the application of a 2% assessed value property tax circuit breaker credit.

**Effective:** January 1, 2008.

**Espich**

January 23, 2007, read first time and referred to Committee on Rules and Legislative Procedures.

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First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

## HOUSE BILL No. 1597

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 6-1.1-20.6-3, AS ADDED BY P.L.246-2005,  
2       SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3       JANUARY 1, 2008]: Sec. 3. As used in this chapter, "property tax  
4       liability" means liability for the tax imposed on property under this  
5       article determined after application of all credits and deductions under  
6       this article, except the credit under this chapter. ~~but~~ **The term** does not  
7       include any interest or penalty imposed under this article ~~or tax~~  
8       **liability excluded under section 10 or 11 of this chapter.**

9       SECTION 2. IC 6-1.1-20.6-4, AS AMENDED BY P.L.162-2006,  
10       SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
11       JANUARY 1, 2008]: Sec. 4. As used in this chapter, "qualified  
12       residential property" refers ~~to any of the following that a county fiscal~~  
13       **body specifically makes eligible for a credit under this chapter in an**  
14       **ordinance adopted under section 6 of this chapter and to all the**  
15       **following: for purposes of section 6.5 of this chapter:**

- 16               (1) An apartment complex.  
17               (2) A homestead.



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(3) Residential rental property.

SECTION 3. IC 6-1.1-20.6-6.5, AS ADDED BY P.L.162-2006, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 6.5. (a) This subsection applies only to property taxes first due and payable after December 31, 2006, and before January 1, 2007, attributable to qualified residential property located in Lake County. A person is entitled to a credit each calendar year under section 7(a) of this chapter against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's qualified residential property. However, the county fiscal body may, by ordinance adopted before January 1, 2007, limit the application of the credit granted by this subsection to homesteads.

(b) (a) This subsection applies only to property taxes first due and payable after December 31, 2007, and before January 1, 2010. A person is entitled to a credit each calendar year under section 7(a) of this chapter against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's qualified residential property.

(c) (b) This subsection applies only to property taxes first due and payable after December 31, 2009. A person is entitled to a credit each calendar year under section 7(b) of this chapter against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's real property and personal property.

SECTION 4. IC 6-1.1-20.6-7, AS AMENDED BY P.L.162-2006, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 7. (a) In the case of a credit authorized under section 6 of this chapter or provided by section 6.5(a) or 6.5(b) of this chapter for property taxes first due and payable in a calendar year:

(1) a person is entitled to a credit against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's qualified residential property located in the county; and

(2) the amount of the credit is the amount by which the person's property tax liability attributable to the person's qualified residential property for property taxes first due and payable in that calendar year exceeds two percent (2%) of the gross assessed value that is the basis for determination of property taxes on the qualified residential property for property taxes first due and payable in that calendar year.

(b) In the case of a credit provided by section 6.5(c) 6.5(b) of this

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chapter for property taxes first due and payable in a calendar year:

(1) a person is entitled to a credit against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's real property and personal property located in the county; and

(2) the amount of the credit is the amount by which the person's property tax liability attributable to the person's real property and personal property for property taxes first due and payable in that calendar year exceeds two percent (2%) of the gross assessed value that is the basis for determination of property taxes on the real property and personal property for property taxes first due and payable in that calendar year.

SECTION 5. IC 6-1.1-20.6-9.5, AS ADDED BY P.L.162-2006, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 9.5. ~~(a) This section applies only to credits under this chapter against property taxes first due and payable after December 31, 2006.~~

~~(b)~~ (a) The application of the credit under this chapter results in a reduction of the property tax collections of each political subdivision in which the credit is applied. A political subdivision may not increase its property tax levy to make up for that reduction.

~~(c)~~ (b) The county auditor shall in each calendar year notify each political subdivision in which the credit under this chapter is applied of the reduction of property tax collections referred to in subsection ~~(b)~~ (a) for the political subdivision for that year.

~~(d)~~ (c) A political subdivision may not borrow money to compensate the political subdivision or any other political subdivision for the reduction of property tax collections referred to in subsection ~~(b)~~ (a).

**(d) Taxing units are required to fully fund the payment of debt service or lease rentals in an amount sufficient to pay any debt service or lease rentals on outstanding obligations, regardless of any reduction in collections due to the application of tax credits granted under this chapter. Any reduction in collections must be applied to the other funds of the taxing unit, after debt service or lease rentals have been fully funded. The department of local government finance shall enforce this subsection.**

SECTION 6. IC 6-1.1-20.6-10 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 10. (a) For purposes of computing a credit under this chapter, a taxpayer's property tax liability does not include liability for a levy imposed to pay debt service or lease rentals (including any debt reserve requirements

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or other costs of issuance) for an obligation that:

(1) became a binding legal obligation of a political subdivision before January 1, 2008; or

(2) constitute an obligation entered into after December 31, 2007, to refund an obligation that became binding on a political subdivision before January 1, 2008, without extending the period of years over which the obligation must be paid, increasing the amount of the obligation owed, or increasing the interest rate or other costs of repayment.

(b) The department of local government finance may adopt rules under IC 4-22-2 or guidelines to establish the method in which credit reductions are to be computed and implemented under this section.

SECTION 7. IC 6-1.1-20.6-11 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 11. (a) After an appeal under this section, the department of local government finance may exclude from the computation of credits under this chapter property tax liability for one (1) or more levies for debt service or lease rentals that are not covered by section 10 of this chapter.

(b) A:

(1) taxing unit acting individually;

(2) group of taxing units having at least one (1) taxing district in common and acting jointly; or

(3) county on behalf of other taxing units in the county;

may appeal to the department of local government finance to reduce the credits that would otherwise be available under this chapter by excluding from the computation of credits property tax liability for one (1) or more levies for debt service or lease rentals (including any debt reserve requirements or other costs of issuance) that are not covered by section 10 of this chapter.

(c) An appeal under this section must be filed in the form and in the manner specified by the department of local government finance. To initiate the appeal, a political subdivision must file a statement with the department of local government finance before October 1 of the calendar year immediately preceding the calendar year in which the affected credit would otherwise apply. A political subdivision may file a statement under this subsection only if the legislative body of the political subdivision authorizes the filing of the statement by adopting a resolution. The resolution must be attached to the statement and must identify the part of each levy that the political subdivision seeks to exempt from the credit. The

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statement must be signed by the following officers:

(1) In the case of counties, by the board of county commissioners and by the president of the county council.

(2) In the case of all other political subdivisions, by the highest executive officer and by the presiding officer of the legislative body of the political subdivision.

(d) Before the department of local government finance may reduce credits that would otherwise be granted under section 6.5 of this chapter, the department of local government finance shall hold a hearing in the county where the affected political subdivisions are located. The hearing may be conducted at the same time that a hearing is conducted in the county under IC 6-1.1-17-16. The department of local government finance may have the local government tax control board or school property tax control board, or both, review the appeal and make a recommendation to the department of local government finance.

(e) After conducting the hearing required by subsection (d), the department of local government finance may issue an order permitting credits in the county to be computed without including property tax liability for one (1) or more levies for debt service or lease rental if the department of local government finance finds that:

(1) the levies are not excluded under section 10 of this chapter; and

(2) the levies are required to meet the obligations of a taxing unit because other funds of the affected taxing unit cannot be made available to fully fund the obligation without a material risk of substantial harm to the public safety or welfare of the persons served by the affected taxing units.

(f) The department of local government finance shall issue an order approving, approving with modifications, or rejecting the proposed credit reductions before the date that tax rates, levies, and budgets are certified for the affected county under IC 6-1.1-17-16.

(g) The department of local government finance may adopt rules under IC 4-22-2 or guidelines to establish the method in which credit reductions are to be computed and implemented under this section.

SECTION 8. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2008]: IC 6-1.1-20.6-6; IC 6-1.1-20.6-9.

SECTION 9. [EFFECTIVE JANUARY 1, 2008] IC 6-1.1-20.6-10 and IC 6-1.1-20.6-11, both as added by this act, apply only to

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1 **property taxes first due and payable after December 31, 2007.**

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